

Message Text

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ACTION XMB-04

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 6789

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E. O. 11652: N/A

TAGS: EGEN BF

SUBJ: EXIMBANK FINANCING FOR GOVERNMENT-SPONSORED PREFABRICATED SCHOOLS PROJECT

REF: STATE 123612

1. EMBASSY NOTES THAT EXIMBANK HAS RECEIVED "APPLICATION" FROM GCOB MINED "ON BEHALF OF THE MINISTRY OF FINANCE" FOR "ASSISTANCE" IN FINANCING PHASE III OF PREFAB SCHOOLS PROJECT. ACCORDING TO INFORMATION AVAILABLE TO EMBASSY, GCOB MINISTRY OF FINANCE IS NOT AWARE OF REQUEST, NOR, INDEED, OF PHASE III. FURTHER, EMBASSY IS NOT CLEAR AS TO WHAT MINED HAS APPLIED FOR, E.G. EXIM PRELIMINARY COMMITMENT OR AMENDMENT OF EXISTING LOAN. ASSUMING EXIM UNDERSTANDS THAT ANY POSITIVE RESPONSE IT MAKES TO MINED APPLICATION IS SUBJECT TO GCOB CABINET APPROVAL OF PHASE III, FINANCING PACKAGE, AND PANELFAB, FOLLOWING ARE OUR COMMENTS:

2. PROGRESS OF PREFABRICATED SCHOOLS PROGRAM: PROGRAM HAS HAD DIFFICULTIES WITH SUPPLY DELIVERIES, ABILITIES OF LOCAL CONSTRUCTION COMPANIES AND CERTIFICATION BY MINISTRY OF WORKS. PANELFAB BELIEVES THAT MOST OF THESE PROBLEMS HAVE EITHER BEEN RESOLVED OR ARE MANAGEABLE. BOTH PHASE I AND II SHOULD BE COMPLETED BY END OF 1975.

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3. PANELFAB IS BEING SUED BY A LOCAL CONSTRUCTION FIRM FOR \$16,000 AND MAY BE SUED BY ANOTHER. PANELFAB BELIEVES IT HAS A GOOD CASE, HOWEVER, AND IS NOT CONCERNED.

4. NEW FINANCING - PHASE III: MINISTRY OF FINANCE IS NOT AWARE OF MINED APPLICATION FOR ASSISTANCE IN FINANCING PHASE III. EXIM SHOULD BE AWARE THAT THERE IS CONFUSION WITHIN GCOB ON FINANCING PROCEDURES OF PHASES I AND II. AS EMBASSY UNDERSTANDS PROBLEM MINFIN HAS BEEN DRAWING DOWN ALL COSTS, INCLUDING LOCAL OFF-SITE CONSTRUCTION COSTS, AGAINST A SINGLE GCOB BUDGET LINE ITEM - THE \$11.4 MILLION FINANCED BY EXIM. CONSEQUENTLY, WHILE PHASES I AND II ARE PROCEEDING SATISFACTORILY, A SHORTFALL OF APPROXIMATELY \$3 MILLION IS ANTICIPATED IF WORKS ARE COMPLETED IN 1975. THESE ARE COSTS WHICH GCOB WILL HAVE TO MEET.

4. MINED UNDERSTANDS EXACTLY WHAT THE PROBLEM IS AND BELIEVES IT WILL BE RESOLVED BY INCLUDING THE SHORTFALL IN MINED BUDGET FOR NEXT YEAR OR DOING A SUPPLEMENTARY BUDGET. MINFIN, HOWEVER, DOES NOT UNDERSTAND, AND BELIEVES THAT COST OF PROJECT HAS INCREASED FROM \$11.4 MILLION TO \$15 OR \$16 MILLION.

5. THIS ISSUE HAS NOT THUS FAR AFFECTED PANELFAB PAYMENTS BUT IT WILL CERTAINLY HOLD UP ANY CABINET APPROVAL OF PHASE III UNTIL IT IS RESOLVED.

6. THERE IS STILL OPPOSITION OUTSIDE OF MINED TO PANELFAB AS THE CONTRACTOR. MINFIN WOULD PREFER THAT OTHER COMPANIES BID. SOME SENATORS CONTINUE TO TALK ABOUT PASSING A BILL PROHIBITING ANY FURTHER PANELFAB TYPE BUILDINGS BEING CONSTRUCTED IN THE BAHAMAS.

7. EMBASSY VIEWS ABOVE AS INTERNAL GCOB PROBLEMS WHICH COULD AT LEAST SLOW DOWN AND AT THE MOST PREVENT GCOB APPROVAL OF PHASE III.

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